

BYRON AREA SCHOOLS
BYRON, MICHIGAN
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2004

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Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

August 12, 2004

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Byron Area Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Byron Area Schools as of and for the year ended June 30, 2004, which collectively comprise the Byron Area Schools' basic financial statements as listed in the table of contents. These financial statements are the responsibility of Byron Area Schools management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Byron Area Schools as of June 30, 2004, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2004, on our consideration of the Byron Area Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 1, the School District has implemented a new financial reporting model, as required by the provisions of the *GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of July 1, 2003.

The management's discussion and analysis and budgetary comparison information on pages II through VIII and 17, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Byron Area Schools' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Lewis & Knopf P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

BYRON AREA SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Byron Area Schools, a K-12 school District located in Shiawassee County, Michigan, is in its first year of implementation of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Byron Area Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2004.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

BYRON AREA SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

District Wide Financial Statements: (Continued)

These two statements report the Byron Area Schools net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreases in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal year ended June 30, 2004:

NET ASSETS SUMMARY

	<u>2004</u>
<u>ASSETS</u>	
Current Assets	\$3,855,798
Non-Current Assets	<u>2,103,518</u>
<u>TOTAL ASSETS</u>	<u>\$5,959,316</u>
<u>LIABILITIES</u>	
Current Liabilities	\$2,329,893
Long-Term Liabilities	<u>228,120</u>
Total Liabilities	\$2,558,013
<u>NET ASSETS</u>	
Invested in Capital Assets - Net of Related Debt	2,042,331
Restricted - Capital Projects	129,522
Unrestricted	<u>1,229,450</u>
Total Net Assets	<u>\$3,401,303</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$5,959,316</u>

BYRON AREA SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

RESULTS OF OPERATIONS:

For the fiscal year ended June 30, 2004, the District wide results of operations were:

	<u>2004</u>
<u>REVENUES</u>	
<u>General Revenues:</u>	
Property Taxes Levied for General Operations	\$325,642
Property Taxes Levied for Debt Service	221,153
State of Michigan Unrestricted Foundation Aid	8,254,984
Other General Revenues	<u>95,715</u>
Total General Revenues	\$8,897,494
<u>Operating Grants:</u>	
Federal	254,519
State of Michigan	388,600
Other Operating Grants	<u>138,902</u>
Total Operating Grants	\$782,021
<u>Charges for Services:</u>	
Food Service	214,396
Athletics	49,433
Other Charges for Services	<u>146,936</u>
Total Charges for Services	<u>\$410,765</u>
Total Revenues	\$10,090,280
<u>EXPENSES</u>	
Instruction & Instructional Support	5,940,064
Support Services	2,862,399
Community Services	122,989
Food Service	463,210
Athletics	253,790
Interest on Long-Term Debt	10,628
Depreciation	<u>192,165</u>
Total Expenses	<u>\$9,845,245</u>
<u>INCREASE IN NET ASSETS</u>	\$245,035
<u>BEGINNING NET ASSETS</u>	<u>3,156,268</u>
<u>ENDING NET ASSETS</u>	<u><u>\$3,401,303</u></u>

BYRON AREA SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2004, the District's Total Net Assets increased by \$245,035 to a total of \$3,401,303. The largest portion of the net assets are the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) increased by \$275,254 during the year due to the purchase of new capital assets exceeding depreciation and principal payments on related debt. The districts Unrestricted Net Assets decreased by \$4,335 during the year and the restricted portion of the net assets decreased by \$25,884. The restricted Net Assets consist of the Investment in Capital Assets-net of related debt. The unrestricted net assets may be used to fund the educational services provided to students. The significant changes in unrestricted net assets was the general fund expenditures exceeding revenues.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows , and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund decreased by \$14,712 during the year with the decrease coming primarily in cash. Revenues for the year increased by \$202,888 primarily from state aid due to increased student enrollment. Expenditures and other financing uses increased by \$554,647, primarily from increased wages and benefits. The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 80 percent of current year's fall count and 20 percent of prior year's winter count
- c. The District's non-homestead tax levy.

2. Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Byron Area Schools foundation allowance was \$6,700 per student for the 2003-2004 school year, the same as the prior year. The foundation allowance was decreased by \$74 per student from \$6,700 to \$6,626 as the result of an executive order by the governor.

3. Student Enrollment:

The District's student enrollment for the fall count of 2003-2004 was 1,316 students. A increase of 35 students from the prior year.

BYRON AREA SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

General Fund (Continued)

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 18 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property revenue for the 2003-2004 fiscal year was \$325,642.

Capital Projects Fund

The district's Capital Projects fund balance increased by \$1,577. The only revenue for the year was \$1,577 of investment earnings.

Debt Retirement Fund

The districts debt retirement fund balance decreased by \$27,461. The fund balance is restricted to use for payments on bonded debt. The funds had expenditures of \$220,628 in paying the required interest and principal payments of the school's bonded debt. The majority of the funds revenue is derived from tax collections. An analysis of them is as follows:

1. Debt Fund Property and Industrial Facility In Lieu of Taxes

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and non-homestead.

For 2003-2004, the District's debt millage levy was 1.42 mills that generated revenue of \$220,829.

This tax levy expired in June, 2004.

Special Revenue Funds

The districts special revenue funds provide food service and athletic opportunities to students. During the year the fund balances increased by \$14,282, primarily due to reduced capital purchases. Food Service fund revenue decreased by \$4,429, primarily from reduced federal funding. Athletic fund revenue decreased by \$13,125, primarily from reduced gate receipts and reduced amounts being transferred to Athletics from the General Fund.

BYRON AREA SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

GENERAL FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Actual & Original Budget %</u>	<u>Variance Actual & Final Budget %</u>
Revenue	\$9,217,223	\$9,399,665	\$9,403,285	2.02	0.04
Expenditures	9,217,223	9,399,665	9,417,997	(2.18)	(0.20)
<u>TOTAL</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$14,712)</u>		

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Byron Area Schools amends its budget during the school year. The June, 2004 budget amendment was the final budget for the fiscal year. There were no significant variations between the original and final budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	<u>Principal Balance 7-1-03</u>	<u>Increases 6-30-04</u>	<u>Principal Payments 6-30-04</u>	<u>Principal Balance 6-30-04</u>
General Obligation Bonds	\$210,000	\$0	\$210,000	\$0
Durant Bonds	61,188	0	0	61,188
Sick Days Payable	163,028	3,905	0	166,933
<u>Total Long-Term Debt</u>	<u>\$434,216</u>	<u>\$3,905</u>	<u>\$210,000</u>	<u>\$228,121</u>

The significant change during the year was the final payment on the 1999 School Building and Site Bonds.

BYRON AREA SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

CAPITAL ASSET AND DEBT ADMINISTRATION: (Continued)

B. Capital Assets

The district's net investment in capital assets increased by \$65,253 during the fiscal year. This can be summarized as follows:

	BALANCE JULY 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004
Capital Assets	\$5,657,384	\$316,255	\$0	\$5,973,639
Less: Accumulated Depreciation	(3,619,119)	(251,002)	0	(3,870,121)
<u>Net Investment Capital Outlay</u>	<u>\$2,038,265</u>	<u>\$65,253</u>	<u>\$0</u>	<u>\$2,103,518</u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Byron Area Schools.

BYRON AREA SCHOOLS - BYRON, MICHIGAN
STATEMENT OF NET ASSETS
JUNE 30, 2004

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$2,245,337
Accounts Receivable	1,997
Taxes Receivable	4,435
Due from Other Governmental Units	1,580,211
Inventory	23,818
Total Current Assets	<u>\$3,855,798</u>
<u>NON-CURRENT ASSETS</u>	
Capital Assets	5,973,639
Less: Accumulated Depreciation	<u>(3,870,121)</u>
Total Noncurrent Assets	<u>\$2,103,518</u>
<u>TOTAL ASSETS</u>	\$5,959,316
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	174,719
State Aid Anticipation Note Payable	1,500,000
Accrued Expenses	12,625
Salaries Payable	642,549
Current Portion of Long-Term Obligations	0
Total Current Liabilities	<u>\$2,329,893</u>
<u>NON-CURRENT LIABILITIES</u>	
Noncurrent Portion of Long-Term Obligations	<u>228,120</u>
<u>TOTAL LIABILITIES</u>	\$2,558,013
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	2,042,331
Restricted for:	
Capital Projects	129,522
Unrestricted	<u>1,229,450</u>
<u>TOTAL NET ASSETS</u>	<u>\$3,401,303</u>

See accompanying notes to the basic financial statements.

BYRON AREA SCHOOLS - BYRON, MICHIGAN
STATEMENT OF ACTIVITIES
JUNE 30, 2004

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue & Change in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$5,940,064	\$0	\$607,904	(\$5,332,160)
Support Services	2,862,399	146,936	9,578	(2,705,885)
Community Services	122,989	0	0	(122,989)
Food Service	463,210	214,396	164,539	(84,275)
Athletics	253,790	49,433	0	(204,357)
Interest on Long-Term Obligations	10,628	0	0	(10,628)
Depreciation - Unallocated	192,165	0	0	(192,165)
<u>TOTALS</u>	<u>\$9,845,245</u>	<u>\$410,765</u>	<u>\$782,021</u>	<u>(\$8,652,459)</u>

General Revenues:

Taxes:

 Property Taxes, Levied for General Purposes

546,795

State Aid

8,254,984

Grants and Contributions Not Restricted to

 Specific Programs

0

Investment Earnings

16,510

Miscellaneous

79,205

 Total General Revenues and Transfers

\$8,897,494

Change in Net Assets

\$245,035

Net Assets - Beginning - As Restated

3,156,268

Net Assets - Ending

\$3,401,303

See accompanying notes to the basic financial statements.

BYRON AREA SCHOOLS - BYRON, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$2,010,200	\$235,137	\$2,245,337
Accounts Receivable	1,997	0	1,997
Taxes Receivable	4,435	0	4,435
Due from Other Governmental Units	1,577,726	2,485	1,580,211
Inventory	0	23,818	23,818
<u>TOTAL ASSETS</u>	<u>\$3,594,358</u>	<u>\$261,440</u>	<u>\$3,855,798</u>
<u>LIABILITIES</u>			
Accounts Payable	\$173,226	\$1,493	\$174,719
State Aid Anticipation Note Payable	1,500,000	0	1,500,000
Accrued Expenses	11,480	1,145	12,625
Salaries Payable	642,549	0	642,549
Total Liabilities	\$2,327,255	\$2,638	\$2,329,893
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	0	23,818	23,818
Capital Projects	0	129,522	129,522
Unreserved:			
Undesignated, Reported In:			
General Fund	1,267,103	0	1,267,103
School Service Funds	0	105,462	105,462
Total Fund Balances	<u>\$1,267,103</u>	<u>\$258,802</u>	<u>\$1,525,905</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$3,594,358</u>	<u>\$261,440</u>	<u>\$3,855,798</u>

See accompanying notes to the basic financial statements.

BYRON AREA SCHOOLS - BYRON, MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2004

Total Governmental Fund Balances:			\$1,525,905
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$5,973,639 and the accumulated depreciation is \$3,870,121			2,103,518
Accrued Interest on Long-Term Debt			0
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:			
Bonds Payable		\$61,187	
Sick Days Payable		166,933	
Total Long-Term Liabilities			<u>(228,120)</u>
<u>TOTAL NET ASSETS -</u> <u>GOVERNMENTAL ACTIVITIES</u>			<u>\$3,401,303</u>

BYRON AREA SCHOOLS - BYRON, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
<u>REVENUES</u>			
Local Sources	\$502,062	\$551,213	\$1,053,275
State Sources	8,605,485	38,099	8,643,584
Federal Sources	128,079	126,440	254,519
Total Revenues	\$9,235,626	\$715,752	\$9,951,378
<u>EXPENDITURES</u>			
Current:			
Instruction	5,895,190	0	5,895,190
Student Services	191,014	0	191,014
Instructional Support	175,058	0	175,058
General Administration	313,966	0	313,966
School Administration	581,133	0	581,133
Business Administration	192,323	0	192,323
Operation & Maintenance of Plant	1,115,028	0	1,115,028
Transportation	558,811	0	558,811
Support Services - Other	46,717	0	46,717
Community Services	122,989		122,989
Food Service	0	703,737	703,737
Debt Service	0	220,628	220,628
Total Expenditures	\$9,192,229	\$924,365	\$10,116,594
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	\$43,397	(\$208,613)	(\$165,216)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from (to) Other Funds	(197,011)	197,011	0
Other Transfers	138,902	0	138,902
Total Other Financing Sources (Uses)	(\$58,109)	\$197,011	\$138,902
Net Change in Fund Balance	(\$14,712)	(\$11,602)	(\$26,314)
<u>FUND BALANCE - BEGINNING</u>	1,281,815	270,404	1,552,219
<u>FUND BALANCE - ENDING</u>	\$1,267,103	\$258,802	\$1,525,905

See accompanying notes to the basic financial statements.

BYRON AREA SCHOOLS - BYRON, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Total net change in fund balances - governmental funds	(\$26,314)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	65,253
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	210,000
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Change in accrued interest on long-term liabilities	0
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(Increase) in accrued compensated absences	<u>(3,904)</u>
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<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u><u>\$245,035</u></u>
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BYRON AREA SCHOOLS - BYRON, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2004

	Trust & Agency
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$102,250</u>
<u>TOTAL ASSETS</u>	<u>\$102,250</u>
<u>LIABILITIES</u>	
Due to Student Groups	<u>\$102,250</u>
<u>TOTAL LIABILITIES</u>	<u>\$102,250</u>

See accompanying notes to the basic financial statements.

BYRON AREA SCHOOLS - BYRON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Byron Area Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

BYRON AREA SCHOOLS - BYRON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains two school service funds: Food Service and Athletic Funds.

Debt Retirement Fund

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition and construction of major facilities by the School District.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

BYRON AREA SCHOOLS - BYRON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount which reasonably estimates fair value.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

BYRON AREA SCHOOLS - BYRON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) CAPITAL ASSETS (Continued)

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received.. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u> <u>Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

BYRON AREA SCHOOLS - BYRON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

BYRON AREA SCHOOLS - BYRON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

P.A. 621 of 1978, Section 18 (1), as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2004, the School incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

4) DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the District to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC).

The following information classifies deposits and investments by categories of risk as defined by GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Undeposited Cash – At June 30, 2004, the School District had \$75 of petty cash on hand which is included as part of "cash and cash equivalents."

Deposits - The Board of Education authorized the following financial institutions for the deposit of the District's funds for the year ended June 30, 2004: Bank One and Michigan Liquid Asset Fund.

The District's deposits are in accordance with statutory authority.

At June 30, 2004, the carrying amount of the School District's deposits was \$2,347,512 and the bank balance was \$2,606,822. \$200,000 of the bank balance was covered by federal depository insurance and \$2,406,822 was uninsured and uncollateralized.

BYRON AREA SCHOOLS - BYRON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

4) DEPOSITS AND INVESTMENTS (Continued)

Investments - The School District's investments are required to be categorized to give an indication of the level of risk assumed by the District at June 30, 2004. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or its trust department or agent but not in the School District's name.

The District had no investments at June 30, 2004.

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2004, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 1,573,561
Federal	6,650
<u>TOTAL</u>	<u>\$ 1,580,211</u>

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2004, the District had \$1,050 of estimated claims payable in conjunction with the program.

8) SHORT-TERM DEBT

The District borrowed \$1,500,000 at 1.03% interest per annum on August 20, 2003, from Bank One on a State Aid Anticipation Note. The short-term note proceeds were used to meet cash flow needs. The note matures August 20, 2004.

9) OPERATING LEASES

The District entered into a operating lease with Brady's Business Systems for copiers on July 2, 2001. The lease payment is \$46,000 per annum for a period of six years. Future minimum payments for the operating leases is as follows:

June 30, 2005	\$ 46,000
June 30, 2006	46,000
June 30, 2007	46,000
<u>TOTALS</u>	<u>\$ 138,000</u>

BYRON AREA SCHOOLS - BYRON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

10) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	BALANCE JULY 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$2,336,252	\$119,614	\$0	\$2,455,866
Land & Land Improvements	1,946,405	0	0	1,946,405
Equipment and Furniture	443,986	27,633	0	471,619
Vehicles	930,741	169,008	0	1,099,749
Totals at Historical Cost	\$5,657,384	\$316,255	\$0	\$5,973,639
Less: Accumulated Depreciation				
Buildings and Improvements	(1,550,421)	(47,397)	0	(1,597,818)
Land Improvements	(1,189,184)	(85,636)		(1,274,820)
Equipment and Furniture	(281,689)	(49,354)		(331,043)
Vehicles	(597,825)	(68,615)		(666,440)
Total Accumulated Depreciation	(\$3,619,119)	(\$251,002)	\$0	(\$3,870,121)
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$2,038,265</u>	<u>\$65,253</u>	<u>\$0</u>	<u>\$2,103,518</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 44,874
Support Services	700
Food Service	867
Athletics	12,396
Unallocated	192,165
<u>TOTAL DEPRECIATION EXPENSE</u>	<u>\$ 251,002</u>

11) SELF INSURANCE POOL

The School District participates in a public entity risk pool (self-insurance pool) for its workers' compensation, property and casualty, general liability, and boiler insurance. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the School District may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years. Premiums for the year ended June 30, 2004 were \$73,857 and the School District received a dividend refund of \$9,931.

BYRON AREA SCHOOLS - BYRON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

12) GENERAL LONG-TERM DEBT

A) Durant Resolution Package Bonds

Byron Area Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of \$126,705.30 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2004 was \$61,187. The legislature refinanced the repayment schedule during the year ended June 30, 2003.

B) 1999 School Building and Site Bonds

Byron Area Schools has issued General Obligation Bonds dated August 1, 1999, in the amount of \$625,000, bearing interest at 4.875% per annum. The balance of the bonds as of June 30, 2004 was \$0.

C) Annual Principal Requirements

The annual principal requirements for all debt outstanding as of June 30, 2004 are as follows:

	BONDS		
	PAYABLE	INTEREST	TOTAL
June 30, 2005	\$0	\$0	\$0
June 30, 2006	21,933	9,805	31,738
June 30, 2007	4,855	1,869	6,724
June 30, 2008	5,088	1,638	6,726
June 30, 2009	5,330	1,396	6,726
June 30, 2010-2013	23,982	2,921	26,903
<u>TOTAL</u>	<u>\$61,188</u>	<u>\$17,629</u>	<u>\$78,817</u>

The payment dates of sick days payable is undeterminable. The interest expenditures on long-term obligations for the year were \$10,238.

D) Changes in General Long-Term Debt

	BALANCE			BALANCE	AMOUNT DUE
<u>Governmental Activities:</u>	JULY 1, 2003	ADDITIONS	DEDUCTIONS	JUNE 30, 2004	IN ONE YEAR
Durant Bonds	\$61,187	\$0	\$0	\$61,187	\$0
General Obligation Bonds	210,000	0	210,000	0	0
Sick Days Payable	163,028	3,905	0	166,933	0
<u>Total Governmental Activities</u>	<u>\$434,215</u>	<u>\$3,905</u>	<u>\$210,000</u>	<u>\$228,120</u>	<u>\$0</u>

13) RESTATEMENT OF GOVERNMENT-WIDE NET ASSETS

For the fiscal year ended June 30, 2004, the School District implemented GASB Statement 34. As a result, capital assets and accumulated depreciation were recorded for the first time. Net assets were restated as of July 1, 2003 for the recording of accumulated depreciation. See July 1, 2003 balances illustrated in Note 10.

BYRON AREA SCHOOLS - BYRON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

14) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2004, consisted of the following:

TRANSFERS TO	TRANSFERS FROM		
	General Fund	Debt Retirement	TOTAL
Athletics	\$191,061	\$0	\$191,061
Food Service	34,707	0	34,707
General Fund	0	28,757	28,757
<u>TOTAL</u>	<u>\$225,768</u>	<u>\$28,757</u>	<u>\$254,525</u>

These transfers were made to subsidize the cost of services for athletics.

15) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the MPERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 12.99 percent for the period July 1, 2003 through September 30, 2003 and 12.99 percent for the period October 1, 2003 through June 30, 2004 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPERS pension plan for the years ended June 30, 2004, 2003 and 2002 were \$727,668, \$685,875 and \$631,763, respectively.

Postemployment Benefits

Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPERS pension plan discussed above.

BYRON AREA SCHOOLS - BYRON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

16) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and worker's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

17) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantor agencies.

18) SUBSEQUENT EVENTS

The District has approved borrowing \$1,474,000 from Bank One to meet cash flow needs for the 2004-2005 fiscal year. The Bonds will be issued August 20, 2004 at a interest rate of 1.570%.

REQUIRED
SUPPLEMENTARY
INFORMATION

BYRON AREA SCHOOLS - BYRON, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
<u>REVENUES</u>				
Local Sources	\$531,230	\$497,913	\$502,062	\$4,149
State Sources	8,434,071	8,610,772	8,605,485	(5,287)
Federal Sources	139,922	127,995	128,079	84
Total Revenues	\$9,105,223	\$9,236,680	\$9,235,626	(\$1,054)
<u>EXPENDITURES</u>				
Current:				
Instruction	5,543,401	5,876,531	5,895,190	(18,659)
Pupil Services	264,355	191,000	191,014	(14)
Instructional Support	173,300	192,993	175,058	17,935
General Administration	362,280	315,645	313,966	1,679
School Administration	657,000	577,325	581,133	(3,808)
Fiscal Services & Other Business Services	150,320	192,415	192,323	92
Operation & Maintenance of Plant	1,075,337	1,111,282	1,115,028	(3,746)
Transportation	537,625	553,640	558,811	(5,171)
Support Services - Other	45,000	46,715	46,717	(2)
Community Services	159,175	117,459	122,989	(5,530)
Total Expenditures	\$8,967,793	\$9,175,005	\$9,192,229	(\$17,224)
Excess of Revenues Over Expenditures	\$137,430	\$61,675	\$43,397	(\$18,278)
<u>OTHER FINANCING SOURCES (USES)</u>				
Net Change in Fund Balance	\$0	\$0	(\$14,712)	(\$14,712)
<u>FUND BALANCE - BEGINNING</u>			1,281,815	
<u>FUND BALANCE - ENDING</u>			\$1,267,103	

OTHER SUPPLEMENTAL
INFORMATION

BYRON AREA SCHOOLS - BYRON, MICHIGAN
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2004

	School Service Fund	Debt Service Fund	Capital Projects Fund	Total Other Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$105,615	\$0	\$129,522	\$235,137
Due From Other Governmental Units	2,485	0	0	2,485
Inventory	23,818	0	0	23,818
<u>TOTAL ASSETS</u>	<u>\$131,918</u>	<u>\$0</u>	<u>\$129,522</u>	<u>\$261,440</u>
<u>LIABILITIES</u>				
Accounts Payable	\$1,493	\$0	\$0	\$1,493
Accrued Expenses	1,145	0	0	1,145
Total Liabilities	\$2,638	\$0	\$0	\$2,638
<u>FUND BALANCES</u>				
Reserved For:				
Inventory	23,818	0	0	23,818
Capital Projects	0	0	129,522	129,522
Unreserved:				
Undesignated, Reported In:				
School Service Fund	105,462	0	0	105,462
Total Fund Balances	\$129,280	\$0	\$129,522	\$258,802
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$131,918</u>	<u>\$0</u>	<u>\$129,522</u>	<u>\$261,440</u>

BYRON AREA SCHOOLS - BYRON, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	School Service Fund	Debt Service Fund	Capital Projects Fund	Total Other Governmental Funds
<u>REVENUES</u>				
Local Sources	\$327,712	\$221,924	\$1,577	\$551,213
State Sources	38,099	0	0	38,099
Federal Sources	126,440	0	0	126,440
Total Revenues	<u>\$492,251</u>	<u>\$221,924</u>	<u>\$1,577</u>	<u>\$715,752</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>225,768</u>	<u>(28,757)</u>	<u>0</u>	<u>197,011</u>
Total Revenues & Other Financing Sources	<u>\$718,019</u>	<u>\$193,167</u>	<u>\$1,577</u>	<u>\$912,763</u>
<u>EXPENDITURES</u>				
Food Service	703,737	0	0	703,737
Debt Service				
Principal	0	210,000	0	210,000
Interest	0	10,238	0	10,238
Dues and Fees	0	390	0	390
Total Expenditures	<u>\$703,737</u>	<u>\$220,628</u>	<u>\$0</u>	<u>\$924,365</u>
Net Change in Fund Balance	<u>\$14,282</u>	<u>(\$27,461)</u>	<u>\$1,577</u>	<u>(\$11,602)</u>
<u>NET ASSETS - BEGINNING</u>	<u>114,998</u>	<u>27,461</u>	<u>127,945</u>	<u>270,404</u>
<u>NET ASSETS - ENDING</u>	<u>\$129,280</u>	<u>\$0</u>	<u>\$129,522</u>	<u>\$258,802</u>

BYRON AREA SCHOOLS - BYRON, MICHIGAN
SCHOOL SERVICE FUND
COMBINING BALANCE SHEET
AS OF JUNE 30, 2004

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$102,950	\$2,665	\$105,615
Due From Other Governmental Units	2,485	0	2,485
Inventory	23,818	0	23,818
<u>TOTAL ASSETS</u>	<u>\$129,253</u>	<u>\$2,665</u>	<u>\$131,918</u>
<u>LIABILITIES</u>			
Accounts Payable	\$0	\$1,493	\$1,493
Accrued Expenses	0	1,145	1,145
Total Liabilities	\$0	\$2,638	\$2,638
<u>FUND EQUITY</u>			
Reserved for Inventory	23,818	0	23,818
Unreserved and Undesignated	105,435	27	105,462
Total Fund Equity	\$129,253	\$27	\$129,280
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$129,253</u>	<u>\$2,665</u>	<u>\$131,918</u>

BYRON AREA SCHOOLS - BYRON, MICHIGAN
SCHOOL SERVICE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2004

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Cafeteria Sales	\$214,396	\$0	\$214,396
Athletic Activities	0	49,433	49,433
Interest	375	0	375
Other Local Sources	63,508	0	63,508
Total Local Sources	<u>\$278,279</u>	<u>\$49,433</u>	<u>\$327,712</u>
<u>State Sources</u>			
State Reimbursements	38,099	0	38,099
<u>Federal Sources</u>			
Federal Reimbursements	99,058	0	99,058
Commodities	27,382	0	27,382
Total Federal Sources	<u>\$126,440</u>	<u>\$0</u>	<u>\$126,440</u>
Total Revenues	<u>\$442,818</u>	<u>\$49,433</u>	<u>\$492,251</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from General Fund	34,707	191,061	225,768
Total Revenues and Other Financing Sources	<u>\$477,525</u>	<u>\$240,494</u>	<u>\$718,019</u>
<u>EXPENDITURES</u>			
Salaries - Non-Professional	136,028	130,854	266,882
Insurances	9,573	0	9,573
Fica, Retirement, Etc.	32,481	27,951	60,432
Purchased Services	2,153	29,087	31,240
Supplies and Materials	258,923	33,788	292,711
Capital Outlay	21,617	6,932	28,549
Other	1,568	12,782	14,350
Total Expenditures	<u>\$462,343</u>	<u>\$241,394</u>	<u>\$703,737</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u>	<u>\$15,182</u>	<u>(\$900)</u>	<u>\$14,282</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$114,071</u>	<u>\$927</u>	<u>\$114,998</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$129,253</u>	<u>\$27</u>	<u>\$129,280</u>

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

BYRON AREA SCHOOLS - BYRON, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
FOR THE YEAR ENDED JUNE 30, 2004

REVENUES FROM
Local Sources

Property Tax Levy	\$325,642
Earnings on Investments and Deposits	13,787
Tuition	7,210
Childcare Fees	82,731
Kids Kamp Fees	21,918
Preschool School Fees	34,844
Other Local Revenues	15,930
Total Revenues from Local Sources	<u>\$502,062</u>

State Sources

State Aid	8,254,984
Durant	9,578
At Risk	95,165
Special Education	130,013
Vocational Education	78,704
Michigan School Readiness	29,106
Driver Education	7,935
Total Revenues from State Sources	<u>\$8,605,485</u>

Federal Sources

Title I Regular	73,815
Technology Literacy	4,616
Title V	2,034
Improving Teacher Quality	40,055
CM White Physical Fitness	4,000
Safe and Drug Free Schools	2,200
Perkins Tech Prep	1,359
Total Revenues from Federal Sources	<u>\$128,079</u>
Total Revenues	<u>\$9,235,626</u>

OTHER FINANCING SOURCES

Transfers from Other Funds	28,757
Transfers from Other Districts	138,902
Total Other Financing Sources	<u>\$167,659</u>

TOTAL REVENUES AND OTHER FINANCING SOURCES
\$9,403,285

BYRON AREA SCHOOLS - BYRON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2004

INSTRUCTIONBasic ProgramsElementary

Salaries - Professional	\$1,410,710
Salaries - Non-Professional	46,578
Insurances	275,311
Fica, Retirement, Etc.	300,563
Purchased Services	1,358
Supplies and Materials	35,309
Capital Outlay	19,183
Other	569
Total Elementary	<u>\$2,089,581</u>

Middle School

Salaries - Professional	767,945
Salaries - Non-Professional	18,962
Insurances	149,078
Fica, Retirement, Etc.	162,901
Purchased Services	265
Supplies and Materials	31,800
Capital Outlay	13,108
Other	691
Total Middle School	<u>\$1,144,750</u>

High School

Salaries - Professional	863,931
Salaries - Non-Professional	38,862
Insurances	231,566
Fica, Retirement, Etc.	186,286
Purchased Services	26,646
Supplies and Materials	74,953
Capital Outlay	44,710
Other	945
Total High School	<u>\$1,467,899</u>

Pre-School

Salaries - Professional	26,094
Salaries - Non-Professional	11,271
Fica, Retirement, Etc.	7,712
Supplies and Materials	534
Total Pre-School	<u>\$45,611</u>

BYRON AREA SCHOOLS - BYRON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2004

INSTRUCTION (Continued)Basic Programs (Continued)Drivers Education

Salaries - Non-Professional	\$24,380
Fica, Retirement, Etc.	3,887
Purchased Services	2,106
Total Preschool	<u>\$30,373</u>

Total Basic Programs	\$4,778,214
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ADDED NEEDSSPECIAL EDUCATION

Salaries - Professional	294,652
Salaries - Non-Professional	22,990
Insurances	72,136
Fica, Retirement, Etc.	65,561
Supplies and Materials	13,903
Total Special Education	<u>\$469,242</u>

COMPENSATORY EDUCATION

Salaries - Professional	51,251
Salaries - Non-Professional	40,858
Insurances	11,817
Fica, Retirement, Etc.	19,009
Supplies and Materials	2,461
Total Compensatory Education	<u>\$125,396</u>

VOCATIONAL EDUCATION

Salaries - Professional	277,378
Salaries - Non-Professional	22,520
Insurances	63,269
Fica, Retirement, Etc.	61,659
Purchased Services	9,876
Supplies and Materials	19,600
Capital Outlay	66,808
Other	618
Total Vocational Education	<u>\$521,728</u>

Total Added Needs	1,116,366
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ADULT EDUCATION

Purchase Services	<u>610</u>
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<u>Total Instruction</u>	<u>\$5,895,190</u>
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BYRON AREA SCHOOLS - BYRON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2004

SUPPORT SERVICESSTUDENT SERVICESCounseling

Salaries - Professional	\$56,612
Insurances	12,042
Fica, Retirement, Etc.	11,685
Supplies and Materials	290
Capital Outlay	1,016
Total Counseling	<u>\$81,645</u>

Health Services

Purchased Services	13,944
Supplies and Materials	442
Total Counseling	<u>\$14,386</u>

Other Student Services

Salaries - Non-Professional	38,960
Fica, Retirement, Etc.	8,041
Purchased Services	45,703
Supplies and Materials	2,279
Total Other Student Services	<u>\$94,983</u>

Total Student Services	\$191,014
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INSTRUCTIONAL STAFFLibrary

Salaries - Professional	55,019
Insurances	3,119
Fica, Retirement, Etc.	11,483
Purchased Services	5,035
Supplies and Materials	15,202
Capital Outlay	1,404
Total Library	<u>\$91,262</u>

Other Instructional Staff

Salaries - Professional	33,413
Fica, Retirement, Etc.	6,896
Purchased Services	43,233
Supplies and Materials	254
Total Other Instructional Staff	<u>\$83,796</u>

Total Instructional Staff	\$175,058
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BYRON AREA SCHOOLS - BYRON, MICHIGAN

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES

FOR THE YEAR ENDED JUNE 30, 2004

SUPPORT SERVICES (Continued)

GENERAL ADMINISTRATION

Salaries - Professional	\$108,746
Salaries - Non-Professional	63,999
Insurances	23,445
Fica, Retirement, Etc.	33,595
Purchased Services	50,379
Supplies and Materials	23,667
Capital Outlay	4,357
Other	5,778
Total General Administration	<u>\$313,966</u>

SCHOOL ADMINISTRATION

Salaries - Professional	246,051
Salaries - Non-Professional	108,785
Insurances	70,421
Fica, Retirement, Etc.	72,790
Purchased Services	62,861
Supplies and Materials	17,745
Capital Outlay	2,480
Total School Administration	<u>\$581,133</u>

BUSINESS OFFICE

Salaries - Professional	105,919
Insurances	15,473
Fica, Retirement, Etc.	22,080
Purchased Services	8,433
Supplies and Materials	5,896
Capital Outlay	3,289
Other	31,233
Total Business Office	<u>\$192,323</u>

OPERATION & MAINTENANCE OF PLANT

Salaries - Professional	45,836
Salaries - Non-Professional	310,982
Insurances	93,311
Fica, Retirement, Etc.	78,382
Purchased Services	154,602
Supplies and Materials	306,278
Capital Outlay	125,637
Total Operation and Maintenance of Plant	<u>\$1,115,028</u>

BYRON AREA SCHOOLS - BYRON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2004

SUPPORT SERVICES (Continued)TRANSPORTATION

Salaries - Professional	\$42,307
Salaries - Non-Professional	203,736
Insurances	15,142
Other Benefits	1,616
Fica, Retirement, Etc.	58,890
Purchased Services	17,766
Supplies and Materials	104,905
Capital Outlay	113,286
Other	1,163
Total Transportation	<u>\$558,811</u>

OTHER SUPPORT SERVICES

Purchased Services	<u>46,717</u>
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Total Support Services	\$3,174,050
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COMMUNITY SERVICES

Salaries - Professional	32,000
Salaries - Non-Professional	46,071
Insurances	11,634
Fica, Retirement, Etc.	16,114
Supplies and Materials	5,689
Other	11,481
Total Community Services	<u>\$122,989</u>

Total Expenditures	\$9,192,229
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OTHER FINANCING USES

Transfers to Other Funds	<u>225,768</u>
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TOTAL EXPENDITURES AND OTHER
FINANCING USES

\$9,417,997

BYRON AREA SCHOOLS - BYRON, MICHIGAN
SCHEDULE OF RECEIPTS AND DISBURSEMENTS -
STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2004

STUDENT ACTIVITY	DUE TO (FROM) STUDENT GROUPS			DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2003	RECEIPTS	DISBURSEMENTS	JUNE 30, 2004	
Annual Account	\$645	\$16,499	\$13,338	\$3,806	
Band	152	220	20	352	
Baseball	0	1,760	1,696	64	
Basketball - Girls	5,182	3,499	5,343	3,338	
Book Account	74	0	0	74	
Building/Trades	0	700	0	700	
Bus Account	272	80	0	352	
Byron Elem. - Coca Cola	1,092	1,052	999	1,145	
Central Office	4,380	0	230	4,150	
Cheerleaders	790	8,308	8,957	141	
Class of 2004	2,934	3,859	6,167	626	
Class of 2005	3	14,742	10,205	4,540	
Class of 2006	174	603	777	0	
Class of 2007	0	300	97	203	
Desk Top Publishing	369	39	72	336	
Drama - Elementary	2,048	0	142	1,906	
Drama - High School	1,548	2,497	2,735	1,310	
Drivers Education	9,576	12,470	5,450	16,596	
Elementary Account	24,572	55,567	54,851	25,288	
Elementary Playground Fund	300	0	0	300	
Employees Fund 1,340	24	1,999	1,976	47	
Environmental Club	200	25	0	225	
FFA Account	824	49,703	49,715	812	
FFA Greenhouse 216	612	0	264	348	
FHA HERO Account	232	1,149	746	635	
Football Account 26	2,296	11,286	10,120	3,462	
French Club	2,172	8,114	7,726	2,560	
Girls Softball - Varsity	845	1,210	1,018	1,037	
Golf	1,504	620	1,290	834	
Homecoming Fund	251	1,238	804	685	
Honor Society	789	4,447	4,026	1,210	
Library - Administration	2,595	245	0	2,840	
Library - Elementary	509	96	308	297	
Library - High School	1,213	90	0	1,303	
Middle School Activity	685	0	0	685	
Misc. - High School	573	4,966	5,535	4	
Miscellaneous	3,235	688	2,514	1,409	
Newspaper - Middle School	317	0	0	317	
Odyssey of the Mind	323	346	667	2	

BYRON AREA SCHOOLS - BYRON, MICHIGAN
SCHEDULE OF RECEIPTS AND DISBURSEMENTS -
STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2004

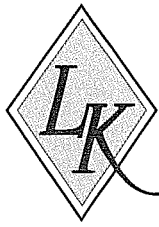
STUDENT ACTIVITY	DUE TO (FROM) STUDENT GROUPS		DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2003	RECEIPTS	DISBURSEMENTS	JUNE 30, 2004
Parking Permits	\$195	\$55	\$0	\$250
Photo Fund	4,471	378	686	4,163
Professional Development	5	0	0	5
SADD	58	0	0	58
Shop High School	0	51	0	51
Soccer - Girls	522	404	250	676
Special Ed	321	0	0	321
Student Council - Elem.	1,373	0	78	1,295
Student Council - HS	87	5,084	5,046	125
Student Council - MS	775	5,612	5,854	533
Testing (1992-1993)	100	0	0	100
Track (Boys & Girls)	1,257	1,120	1,671	706
Volleyball	3	4,587	3,956	634
Washington, D.C. Trip	786	867	495	1,158
Wrestling Account	766	9,795	7,824	2,737
Yearbook - MS	739	4,787	27	5,499
<u>TOTALS</u>	<u>\$84,768</u>	<u>\$241,157</u>	<u>\$223,675</u>	<u>\$102,250</u>

BYRON AREA SCHOOLS - BYRON, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2004

DATE OF ISSUE - November 24, 1998

Original amount of issue - \$95,776

<u>1998 DURANT RESOLUTION PACKAGE BONDS</u>				
	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>INTEREST REQUIREMENT</u>	<u>TOTAL FISCAL YEAR REQUIREMENTS</u>
<u>PAYMENT DATE - MAY 15TH</u>				
2005	\$0	4.761353%	\$0	\$0
2006	21,933	4.761353%	9,805	31,738
2007	4,855	4.761353%	1,869	6,724
2008	5,088	4.761353%	1,638	6,726
2009	5,330	4.761353%	1,396	6,726
2010	5,584	4.761353%	1,142	6,726
2011	5,850	4.761353%	876	6,726
2012	6,128	4.761353%	597	6,725
2013	6,420	4.761353%	306	6,726
<u>TOTAL</u>	<u>\$61,188</u>		<u>\$17,629</u>	<u>\$78,817</u>



Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

August 12, 2004

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of
Byron Area Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Byron Area Schools, as of and for the year ended June 30, 2004, which collectively comprise the Byron Area Schools' basic financial statements and have issued our report thereon dated August 12, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Byron Area Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. We noted no immaterial instances of noncompliance.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Byron Area Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We noted no other matters involving the internal control over financial reporting.

This report is intended solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lewis & Knopf P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS